

Message Text

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AMEMBASSY KINGSTON

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E.O. 11652: N/A

TAGS: EAID BB

SUBJ: CDB: ANNUAL USAID REVIEW

SUMMARY

AID CONDUCTED ANNUAL REVIEW OF ITS CDB LOANS APRIL 1-5, 1975. AID TEAM HELD EXTENSIVE DISCUSSIONS WITH CDB PRESIDENT, BANK OFFICERS AND VISITED NUMBER OF PROJECTS IN LDC'S. AID DID PRESS CDB TO EMPLOY HARD-EYED MANAGEMENT TECHNIQUES TO BRING UP DISBURSEMENT LEVEL, BUT GENERAL TENOR OF REVIEW WAS RELAXED AND USG EVALUATION IS THAT, DESPITE SOME PROBLEMS, CDB UNDER DEMAS IS MOVING ALONG WELL WITH HIGH STAFF MORALE. CDB WILL WORK ON AGRICULTURAL STUDY IN CONNECTION WITH POSSIBLE NEW DOLS 7 MILLION AID LOAN IN FY 1976. END SUMMARY.

1. A USAID TEAM HEADED BY JOHN R. BREEN, DIRECTOR, OFFICE OF LIMITED OFFICIAL USE

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DEVELOPMENT RESOURCES, CONDUCTED 1975 ANNUAL REVIEW OF AID LOANS

TO CDB WITH BANK PRESIDENT WILLIAM DEMAS AND BANK OFFICERS APRIL 1-5, 1975. REVIEW COVERED WIDE RANGE OF BANK ACTIVITIES EVEN BEYOND SCOPE OF US LOANS AND TEAM WAS ABLE WHILE HERE TO CONFER EXTENSIVELY WITH UK AND CANADIAN AID DONORS.

2. US AID TEAM LEADER USED OCCASION TO INTER ALIA REVIEW AID PROBLEMS STEMMING FROM CDB'S UNDISBURSED FUNDS. HE NOTED THAT CONGRESSIONAL PRESSURES WOULD MAKE ADDITIONAL FUTURE LOANS TO CDB PROBLEMATIC IF LARGE UNDISBURSED PORTIONS OF PREVIOUS LOANS CONTINUE TO REMAIN UNUSED. HE ALSO NOTED THAT IT WOULD BE SIMILARLY DIFFICULT TO EXTEND DISBURSEMENT PERIODS FOR PRESENT LOANS AND URGED CDB TO CONSIDER CANCELLATION OF UNUSED LOANS AFTER SUITABLE PERIOD OF TIME HAS PASSED. CDB PRESIDENT WILLIAM DEMAS ACKNOWLEDGED NEED FOR CDB TO MOVE IN FIELD OF PROJECT IMPLEMENTATION AND EMPHASIZED THAT HE WAS ATTACHING HIGHEST PRIORITY TO SUCH EFFORTS. DEMAS ALSO NOTED THAT CDB WAS ADOPTING WORLD BANK METHOD OF OPERATIONS UNDER WHICH NO LOAN WOULD GO TO BOARD OF DIRECTORS UNLESS LOAN AGREEMENT WAS APPROVED BY GOVERNMENT CONCERNED AND A DISBURSEMENT TIME FRAME AGREED TO BY CDB AND BORROWER. DEMAS POINTED OUT THAT CDB WAS TAKING A HARDER LINE THAN PREVIOUSLY AND, HAD IN FACT, CANCELLED A US DOLS 3 MILLION LOAN AT LAST B/D MEETING. BREEN REITERATED PRESSURES ON AID, ESPECIALLY FROM US CONGRESS TO GET PROGRAMS UNDERWAY AND HE SAID THAT IT WOULD BE DIFFICULT FOR AID TO DISCUSS REPLENISHMENT UNLESS LOAN DISBURSEMENTS PICKED UP. HE NOTED THAT CDB'S ANTICIPATED DISBURSEMENTS TO DECEMBER '75 WERE ONLY DOLS 6.7 MILLION, OR ABOUT ONE-FIFTH OF TOTAL US RESOURCES. HE URGED BANK TO CANCEL LOANS WHICH WERE NOT MOVING DESPITE POSSIBLE CRITICISM FROM BORROWER(S).

3. AID TEAM SPENT ONE DAY OF REVIEW MAKING ON-SITE VISITS TO PORT PROJECTS, HOUSING SCHEMES, INDUSTRIAL ESTATES, FARMS AND SMALL INDUSTRY PROJECTS IN DOMINICA, GRENADA AND ST. LUCIA.

4. OTHER TOPICS OF REVIEW SUMMARIZED BRIEFLY:

(A) AGRICULTURAL LOAN: AID REITERATED TO BANK ITS INTENTION OF SEEKING DOLS 7 MILLION LOAN FOR AGRICULTURE IN FY 1976 PROGRAM; HOWEVER BASIC DIFFERENCES BETWEEN AID AND BANK REGARDING POSSIBLE USE OF FUNDS REMAINED. BANK WISHES TO CONCENTRATE PROGRAM ON LIMITED OFFICIAL USE

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700-800 SELECTED VIABLE FARMERS IN REGION WHILE AID WOULD PREFER TO ASSIST WIDER NUMBER OF AREA'S 40,000 FARMERS. AFTER MUCH DISCUSSION BOTH PARTIES AGREED THAT INSUFFICIENT DATA EXISTED ON AGRICULTURE AND THAT AN INTENSIVE STUDY SHOULD BE MADE TO DETERMINE NEEDS OF SECTOR AND BEST MEANS OF MEETING THESE NEEDS. AID EMPHASIZED THAT PROGRAM OBJECTIVES SHOULD ALSO BE MORE CLEARLY DEFINED. IT WAS AGREED THAT CDB WITH CONTRIBUTIONS FROM AID, CIDA AND UK, WOULD UNDERTAKE A STUDY TO THIS END. CDB PROVIDED

TERMS OF REFERENCE TO AID TEAM WHICH PROMISED TO LOOK THEM OVER AND RESPOND TO BANK.

(B) INDUSTRY: INFRASTRUCTURES-SITES VISITED INDICATED THAT ENGINEERING AND CONSTRUCTION PROJECTS ARE GOING WELL. REVIEW DISCLOSED THAT PERHAPS MORE ATTENTION NEEDED TO BE PAID TO AGRO-INDUSTRY.

(C) EQUITY FINANCING SCHEME: CDB NOW ENGAGED IN STUDY REGARDING EXTENT AND METHODS OF BANK'S INVESTING IN EQUITY PROJECTS. DEMAS REQUESTED DEFERRAL OF CONSIDERATION OF THIS SCHEME FOR 3-4 MONTHS UNTIL STUDY COMPLETED.

(D) SMALL INDUSTRIAL CREDIT: PROCEEDING SMOOTHLY. SOME STAFF PROBLEMS WITHIN CDB NEED TO BE ADDRESSED.

(E) HOUSING: URBAN WORKING CLASS HOUSING SCHEME IS NOW GETTING UNDERWAY. FCH TO ARRANGE FOR CDB INTERVIEW OF STAFF TECHNICIAN CANDIDATE WITHIN ONE MONTH.

(F) SECONDARY MORTGAGE: CDB RAISED SEVERAL TECHNICAL CHANGES IT DEEMED NECESSARY IN IMPLEMENTING PROGRAM. AID ASKED BANK TO SUBMIT THESE FORMALLY. FCH IS TO LOOK FOR POSSIBLE CONSULTANT TO PROGRAM WHO WOULD BE PRESENT AT BANK FOR PERIOD OF ABOUT ONE YEAR. CDB IS TO SATISFY PRECONDITIONS FOR USE OF TECHNICAL ASSISTANCE PORTION OF LOAN FUNDS AND CONTACT AID.

5. OTHER TOPICS COVERED INCLUDED POSSIBLE RISE IN 4 PERCENT INTEREST RATES ON SDF SUB-LOANS, REVIEW BY AID OF POSSIBILITY OF RAISING DOLS 2,500 LIMIT ON INTERNATIONAL MARKET PURCHASES OF MACHINERY AND EQUIPMENT, SEMINAR CONDUCTED BY AID ON LETTER OF CREDIT PROCEDURES, POSSIBLE EXTENSION OF TERMINAL COMMITMENT DATE FOR LOAN 001 AND OUTSTANDING AID APPROVALS OF SEVERAL PROJECTS. LIMITED OFFICIAL USE

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6. GENERALLY TEAM FOUND THAT CDB WAS OPERATING WELL UNDER DEMAS AND THAT SEVERAL LONG-DELAYED PROGRAMS (HOUSING, PORTS) WERE NOW UNDERWAY. DESPITE INITIAL AID PRESSURE ON CDB RE DISBURSEMENT RATE, REVIEW WAS GENERALLY RELAXED AND DEMAS AND BANK STAFF APPEARED TO BE FACING FUTURE WITH CONFIDENCE AND HIGH MORALE. CDB STAFFING PROBLEMS WERE NOTED, PARTICULARLY CONTINUING VACANCY OF BANK'S VICE PRESIDENT SLOT WHICH MAKES FOR GREAT STRAIN ON PRESIDENT AND SLOWER MOVEMENT OF CDB FINANCIAL PROCESSES. ALL CONCERNED AGREED THAT CDB WAS MOVING IN RIGHT DIRECTION WITH ITS EMPHASIS ON PROJECT IMPLEMENTATION AND LOOK FORWARD TO SUBSTANTIAL PICK-UP IN DISBURSEMENTS IN COMING YEAR. BRITTON

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